# THE PROMESA HOUSING DEVELOPMENT FUND CORPORATION AND AFFILIATES

**Consolidated Financial Statements**

**December 31, 2018 and 2017**

**With Independent Auditor's Report**

**The Promesa Housing Development Fund Corporation and Affiliates**
**Table of Contents**
**December 31, 2018 and 2017**

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
The Promesa Housing Development Fund Corporation and Affiliates:

We have audited the accompanying consolidated financial statements of The Promesa Housing Development Fund Corporation (a Not-for-Profit Organization) and Affiliates (the "Organization" or "PHDFC"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, in 2018, the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules of program activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Withum Smith + Brown, PC

November 21, 2019

**The Promesa Housing Development Fund Corporation and Affiliates**
**Consolidated Statements of Financial Position**
**December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 2,039,247 | $ 1,067,535 |
| Funds in escrow | 267,342 | 258,693 |
| Tenants accounts receivable, net of allowance for doubtful accounts of $1,047,494 in 2018 and $912,817 in 2017 | 525,298 | 294,685 |
| Prepaid expenses | 117,750 | 104,153 |
| Tenants’ security deposits | 99,849 | 88,853 |
| Due from affiliates | 8,323,765 | 7,570,066 |
| Total current assets | 11,373,251 | 9,383,985 |
| Investment in joint venture | 3,884,916 | 2,347,692 |
| Property and equipment, net | 12,968,573 | 12,886,979 |
| Other assets | 2,954,152 | 2,878,763 |
| Operating and replacement reserves | 197,330 | 197,322 |
| Total assets | $ 31,378,222 | $ 27,694,741 |
| **Liabilities and Net Assets** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 1,230,539 | $ 1,912,314 |
| Current portion of term loans | 82,151 | 89,599 |
| Tenants' security deposits payable | 99,849 | 88,853 |
| Deferred revenue | 22,985 | 10,735 |
| Current portion of due to affiliates | 16,328,763 | 12,095,752 |
| Current portion of enforcement mortgages | 280,845 | 280,845 |
| Due to HPD | 100,373 | 100,373 |
| Total current liabilities | 18,145,505 | 14,578,471 |
| Term loans (net of current portion and deferred charges) | 1,785,979 | 1,863,995 |
| Construction loans | 4,947,914 | 4,378,578 |
| Enforcement mortgages (net of current portion) | 1,997,707 | 2,278,552 |
| Due to affiliates (net of current portion) | 1,890,449 | 1,890,449 |
| Total liabilities | 28,767,554 | 24,990,045 |
| Net assets without donor restrictions | 2,610,668 | 2,704,696 |
| | $ 31,378,222 | $ 27,694,741 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

## The Promesa Housing Development Fund Corporation and Affiliates
## Consolidated Statements of Activities and Changes in Net Assets
## Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| Revenues | | |
| Residential rental income | | |
| Tenant share | $ 1,333,967 | $ 1,165,294 |
| Tenant voucher assistance payments | 443,560 | 360,131 |
| Related party rent | 799,596 | 799,596 |
| Transitional housing rent, related party | 5,213,295 | 5,213,295 |
| | 7,790,418 | 7,538,316 |
| Commercial rent | 154,760 | 136,209 |
| Enforcement mortgage forgiveness | 280,845 | 280,845 |
| Interest income | 42,649 | 42,361 |
| Management and developer fees, related party, net | 1,435,139 | 1,729,166 |
| Other | 163,809 | 44,480 |
| | 9,867,620 | 9,771,377 |
| Expenses | | |
| Contracted services, related party | 2,037,101 | 1,386,085 |
| Bad debt expense (recovery) | 157,293 | (39,693) |
| Depreciation | 411,256 | 295,102 |
| Insurance | 128,760 | 105,209 |
| Interest expense | 468,982 | 157,027 |
| Miscellaneous expenses | 167,036 | 120,938 |
| Office expense | 54,666 | 47,717 |
| Professional fees | 342,726 | 381,082 |
| Repairs and maintenance | 375,241 | 401,116 |
| Rent | 5,405,095 | 5,391,646 |
| Telephone | 17,655 | 15,733 |
| Utilities | 395,837 | 333,261 |
| | 9,961,648 | 8,595,223 |
| Change in net assets | (94,028) | 1,176,154 |
| Net assets without donor restrictions, beginning of year | 2,704,696 | 1,528,542 |
| Net assets without donor restrictions, end of year | $ 2,610,668 | $ 2,704,696 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

## The Promesa Housing Development Fund Corporation and Affiliates
## Consolidated Statements of Cash Flows
## Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|---|---|
| **Operating activities** | | |
| Change in net assets | $ (94,028) | $ 1,176,154 |
| Adjustments to reconcile change in net assets without restrictions to net cash provided by (used in) operating activities | | |
| Interest earned on operating and replacement reserve deposits | (8) | (8) |
| Bad debt expense (recovery) | 157,293 | (39,693) |
| Depreciation expense | 411,256 | 295,102 |
| Deferred debt issuance costs | 2,066 | 2,066 |
| Enforcement mortgage forgiveness | (280,845) | (280,845) |
| Changes in | | |
| Tenants' accounts receivable | (387,906) | (55,545) |
| Prepaid expenses | (13,597) | (46) |
| Tenants' security deposits | - | (3) |
| Accounts payable and accrued expenses | (681,775) | (473,309) |
| Deferred revenue | 12,250 | 5,035 |
| Net cash provided by (used in) operating activities | (875,294) | 628,908 |
| **Investing activities** | | |
| Deposits to funds in escrow | (8,649) | - |
| Acquisition of other assets | (75,389) | (1,649,090) |
| Investment in joint venture | (1,537,224) | (338,130) |
| Acquisition of property and equipment | - | (16,900) |
| Net cash used in investing activities | (1,621,262) | (2,004,120) |
| **Financing activities** | | |
| Repayment of term loan | (87,530) | (86,057) |
| Proceeds from construction loans | 103,535 | 478,804 |
| Change in due from affiliates | (753,699) | 488,651 |
| Change in due to affiliates | 4,205,962 | 884,918 |
| Net cash provided by financing activities | 3,468,268 | 1,766,316 |
| Net change in cash | 971,712 | 391,104 |
| **Cash** | | |
| Beginning of year | 1,067,535 | 676,431 |
| End of year | $ 2,039,247 | $ 1,067,535 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

**The Promesa Housing Development Fund Corporation and Affiliates**
**Consolidated Statements of Functional Expenses**
**Years Ended December 31, 2018 and 2017**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Program Services | Management and General | Total | Program Services | Management and General | Total |
| Contracted services, related party | $ - | $ 2,037,101 | $ 2,037,101 | $ - | $ 1,386,085 | $ 1,386,085 |
| Bad debt expense (recovery) | 157,293 | - | 157,293 | (39,693) | - | (39,693) |
| Depreciation | 411,256 | - | 411,256 | 295,102 | - | 295,102 |
| Insurance | 128,760 | - | 128,760 | 105,209 | - | 105,209 |
| Interest expense | 468,982 | - | 468,982 | 157,027 | - | 157,027 |
| Miscellaneous expenses | 167,036 | - | 167,036 | 120,938 | - | 120,938 |
| Office expense | - | 54,666 | 54,666 | - | 47,717 | 47,717 |
| Professional fees | - | 342,726 | 342,726 | - | 381,082 | 381,082 |
| Repairs and maintenance | 375,241 | - | 375,241 | 401,116 | - | 401,116 |
| Rent | 5,405,095 | - | 5,405,095 | 5,391,646 | - | 5,391,646 |
| Telephone | - | 17,655 | 17,655 | - | 15,733 | 15,733 |
| Utilities | 395,837 | - | 395,837 | 333,261 | - | 333,261 |
| | $ 7,509,500 | $ 2,452,148 | $ 9,961,648 | $ 6,764,606 | $ 1,830,617 | $ 8,595,223 |

The Notes to Consolidated Financial Statements are an integral part of these statements.

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by The Promesa Housing Development Fund Corporation and Affiliates in the preparation of the accompanying consolidated financial statements are summarized below.

**Principles of Consolidation**
The Promesa Housing Development Fund Corporation ("Promesa Housing") is the sole member of Promesa Homefirst Housing Development Fund Company, Inc. ("Promesa Homefirst"), Fox Street Development Housing Development Fund Company, Inc. ("Fox"), and Beck Street Development Housing Development Fund Company, Inc. ("Beck").

The consolidated financial statements include the accounts of The Promesa Housing Development Fund Corporation and its affiliates as described above (collectively, the "Organization" or "PHDFC"). All intercompany transactions have been eliminated.

**Organization and Nature of Operations**
The Promesa Housing Development Fund Corporation was incorporated as a New York not-for-profit corporation on August 9, 1990. PHDFC was founded by Promesa, Inc. to combat community deterioration and lessen neighborhood tensions through the residential revitalization of the Bronx and adjacent areas of Bronx County. In December 1992 and June 1999, PHDFC reached an understanding with the City of New York through its Department of Housing Preservation and Development ("HPD") whereby it was deeded certain properties. PHDFC uses the properties, which are comprised of 169 units, and rents them to low and moderate income tenants.

In connection with the understanding with HPD, PHDFC, during the term of the Restrictive Period (see Note 7), must:

(a) Organize formal tenant associations and hold regular tenant meetings to foster and promote cordial relations among the tenants and between the tenants and the managers, and to achieve better care, maintenance and operation of the buildings. Meetings should be a forum both for discussing tenant complaints and concerns, and for tenant orientation and education, as described below.

(b) Provide advice, assistance and training to tenants and members of their families in apartment living skills, including proper use of fixtures and equipment and maintenance of their apartments and the public parts of the buildings.

**Consolidated Financial Statement Presentation**
The accounting pronouncement related to not-for-profit organizations requires PHDFC to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Assets are reported as without donor restrictions unless there are specific stipulations as to how donated assets must be used. When a donor restriction expires, either when the purpose of the restriction is accomplished or when a stipulated time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. PHDFC does not have any net assets with donor restrictions.

**Reclassifications**
Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### Revenue Recognition

Residential rental revenue, including tenant voucher assistance (see Note 8), related party rent and transitional housing rent, related party, and commercial rent revenue are recorded in the month in which they are earned. Contributions received are recorded as support without donor restrictions or support with donor restrictions depending on the existence and/or nature of any donor restrictions. There were no contributions received for the years ended December 31, 2018 and 2017. Management and developer fees and fees for contractual services with related parties are recognized when earned.

Each year that the Organization remains in compliance with the enforcement mortgages, an equal, annual relief of the liability is recorded into revenue on the consolidated statements of activities and changes in net assets (see Note 7).

### Equity Method Investments

Investee companies that are not consolidated, but over which the Organization exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Organization exercises significant influence with respect to an investee depends on an evaluation of several factors including, among others, representation on the investee company's board of directors and ownership level, which is generally a 20% to 50% interest in the voting equity of the investee company. Under the equity method of accounting, an investee company's accounts are not reflected within the Organization's consolidated statements of financial position and consolidated statements of activities and changes in net assets, cash flows and functional expenses; however, the Organization's share of the earnings or losses of the investee company is reflected in the consolidated statements of activities and changes in net assets. The Organization's carrying value in an equity method investee company is reflected in the caption ''investment in joint venture" in the Organization's consolidated statements of financial position.

When the Organization's carrying value in an equity method investee company is reduced to zero, no further losses are recorded in the Organization's consolidated financial statements unless the Organization guaranteed obligations of the investee company or has committed additional funding. When the investee company subsequently reports income, the Organization will not record its share of such income until it equals the amount of its share of losses not previously recognized.

### Property and Equipment and Depreciation

Property and equipment is recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets (ranging from 3 to 27.5 years). Repairs and maintenance costs are expensed as incurred. When assets are retired or disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statements of activities and changes in net assets.

### Receivables and Credit Policies

Receivables comprise amounts due from tenants and from anticipated Section 8 payments for the rental of residential units. Tenant payments are due at the beginning of the month in accordance with the specific terms of the lease. In addition, the Organization requires each tenant to provide a security deposit based on the tenant's eligibility requirements.

Rent is considered past due when not paid for one month after the due date. No late charges are assessed. Rent past due longer than three months is referred to legal counsel so that the tenant can be given notice that the amount is due within three days or the tenant will be evicted. Payments received are applied to the specific rent being paid or to the earliest amount past due, if no item is specified. The Organization reviews all accounts past due and provides an allowance for uncollectible accounts. In addition, no amounts are written off until the Organization has exhausted all collection efforts.

**Capitalized Interest**
PHDFC capitalizes interest costs incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

**Deferred Charges**
Deferred charges consist of mortgage costs, which are amortized on the effective interest method over the life of the loan. Debt issuance costs are presented as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is included as interest expense in the consolidated statements of activities and changes in net assets.

**Valuation of Long-Lived Assets**
In accordance with the accounting pronouncement dealing with the impairment or disposal of long lived assets, long-lived assets used in operations are reviewed for impairment when events and circumstances warrant such a review. Based on these evaluations, there were no adjustments made to the carrying value of the long-lived assets for the years ended December 31, 2018 and 2017.

**Estimates**
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts in the consolidated financial statements and note disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**
The costs of providing various programs and other activities have been summarized on a functional basis based on a direct costing method for charging expenses to each program or function. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of PHDFC.

**Income Taxes**
PHDFC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

PHDFC follows generally accepted accounting principles related to uncertain tax positions which require tax effects from an uncertain tax position to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50 % likely to be recognized upon ultimate settlement with the taxing authority is recorded. PHDFC's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in PHDFC's tax filings and does not believe that any material uncertain tax positions exist. PHDFC did not record any tax related interest or penalties during the years in question.

PHDFC files form 990 in the U.S. federal jurisdiction and CHAR 500 in the State of New York.

**Concentration of Credit Risk**

Financial instruments which potentially subject PHDFC to concentration of credit risk consist principally of cash and the ability to collect tenants' rents receivable. Concentration of credit risk with respect to tenants' receivables is limited due to PHDFC's monitoring of these balances. PHDFC places its cash in high credit quality financial institutions. While the amounts may exceed the insurance protection limits provided by the Federal Deposit Insurance Corporation, PHDFC does not believe that there are any significant credit risks.

**Fair Value of Financial Instruments**

The carrying value of financial instruments including tenants' accounts receivable and accounts payable and accrued expenses approximate their fair value due to the relatively short maturity of these instruments.

**Accounting Pronouncements Adopted in the Current Year**

*Not-for-Profit Financial Statement Presentation*

During 2018, the Organization adopted ASU 2016-14: *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification. A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

| | ASU 2016-14 Classifications | | |
|---|---|---|---|
| **Net Assets Classifications** | **Net Assets Without Donor Restrictions** | **Net Assets With Donor Restrictions** | **Total** |
| As previously reported: | | | |
| Unrestricted | $ 2,704,696 | $ - | $ 2,704,696 |
| Temporarily restricted | - | - | - |
| Permanently restricted | - | - | - |
| Net assets as previously reported | $ 2,704,696 | $ - | $ 2,704,696 |

**Recent Accounting Pronouncements Issued Not Yet Adopted**

*Revenue Recognition – Exchange Transactions*

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for the Organization beginning January 1, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the consolidated financial statements. At this time, management believes that ASC 606 will not have a material impact on its consolidated financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

*Revenue Recognition – Contributions*
In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958)*: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations ("NFPs") because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

*Leases*
In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a "right of use" asset and a lease liability, initially measured at the present value of the lease payments, on the consolidated statements financial of position for all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

*Restricted Cash*
In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, *Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied using a retrospective transition method to each period presented. The Organization is currently evaluating the effect of the adoption of ASU 2016-18 on its consolidated results of operations, financial position or cash flows.

## 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

At December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

| | |
|---|---|
| Financial Assets | |
| Cash | $ 2,039,247 |
| Tenants accounts receivable, net | 525,298 |
| Due from affiliates | 8,323,765 |
| Total financial assets and liquidity resources available within one year | $ 10,888,310 |

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Organization's cash flows have fluctuations during the year attributable to the timing of program operations and collection of funds from tenants and related parties. In order for the Organization to meet its current working capital requirements, it relies on its affiliated entities for necessary funding requirements. The affiliated entities have both the ability and intent to meet these requirements as needed.

## 3. OPERATING AND REPLACEMENT RESERVES

In accordance with PHDFC's Special Initiatives Program ("SIP") contract, the Organization is required to fund operating and replacement reserve accounts. The agreement provides for monthly deposits based on a yearly schedule. As of December 31, 2018 and 2017, the reserve accounts have not been funded in accordance with the agreement which would have required total cumulative deposits since inception to approximate $551,000 for the operating reserve and $184,000 for the repairs and replacement reserve. No deposits were made to the operating reserve or replacement reserve accounts for the years ended December 31, 2018 and 2017.

The balance in each account is as follows at December 31:

| | 2018 | 2017 |
|---|---|---|
| Operating reserve | $ 348 | $ 348 |
| Replacement reserve | 196,982 | 196,974 |
| | $ 197,330 | $ 197,322 |

## 4. PRE-DEVELOPMENT COSTS

The Organization is responsible for the development of certain low-income housing projects. During the pre-development phase of the projects, the Organization incurs certain costs on behalf of these projects.

These costs will ultimately be capitalized on the books and records of the respective projects once legally established and will then be reflected on the Organization's books as advances due from affiliates. Prior to the establishment of these legal entities, the costs are recorded as other assets by the Organization. These costs amounted to $2,948,807 and $2,865,752 at December 31, 2018 and 2017, respectively.

## 5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of the following:

| | 2018 | 2017 |
|---|---|---|
| Land and buildings | $ 16,008,394 | $ 15,542,593 |
| Building improvements | 2,319,934 | 2,319,935 |
| Equipment | 174,813 | 174,813 |
| Construction in progress | 528,520 | 501,470 |
| | 19,031,661 | 18,538,811 |
| Less: Accumulated depreciation | 6,063,088 | 5,651,832 |
| Property and equipment, net | $ 12,968,573 | $ 12,886,979 |

Depreciation expense included as a charge to revenue amounted to $411,256 and $295,102 for the years ended December 31, 2018 and 2017, respectively.

## 6. DUE TO HPD

The amounts due to HPD at December 31, 2018 and 2017 represent a Section 8 subsidy received for tenants who had moved out of PHDFC buildings.

PHDFC notifies HPD when a Section 8 tenant moves out; however, there is a time lag from notification to the actual removal of the tenant from the subsidy rolls. These amounts are to be returned to HPD on demand. To date, HPD has not requested payment of these amounts.

## 7. MORTGAGE ENFORCEMENT NOTES PAYABLE

In December 1992, PHDFC entered into a land disposition agreement with HPD and was deeded three multiple unit dwellings under SIP and, in June 1999, entered into a separate agreement and was deeded four additional sites. In accordance with the agreements, PHDFC acquired disposition sites for $1 per site and contingent enforcement mortgages equal to the appraised value of each multiple unit dwelling. The appraisal includes the reconstruction costs of each multiple unit dwelling.

Mortgage enforcement notes payable consists of the following at December 31:

| | 2018 | 2017 |
|---|---|---|
| Enforcement note 1, original amount of $4,990,149, interest at -0- %, secured by property with a carrying value of $1,590,610 in 2018 and $1,746,552 in 2017, maturing in 2024 (A) | $ 779,736 | $ 935,678 |
| Enforcement note 2, original amount of $3,996,905, interest at -0- %, secured by property with a carrying value of $1,973,472 in 2018 and $2,098,375 in 2017, maturing in 2031 (A) | 1,498,816 | 1,623,719 |
| Long-term debt | 2,278,552 | 2,559,397 |
| Less: Current maturities | 280,845 | 280,845 |
| Long-term debt - net of current maturities | $ 1,997,707 | $ 2,278,552 |

(A) No principal payments are required to be made and, if PHDFC complies with all terms and conditions of the enforcement notes and upon the respective thirty-second anniversaries (“the Restrictive Period”), the enforcement notes will be completely relieved. PHDFC will have no further obligations on these contingent mortgages.

## 8. TENANT VOUCHER ASSISTANCE PAYMENTS

PHDFC receives rent payments from HPD for those individuals who have qualified for assistance under the U.S. Department of Housing and Urban Development (“HUD”) Section 8 rental voucher program. PHDFC does not have any written agreements with HUD or HPD for Section 8 tenant assistance payments. Tenant voucher assistance payments from HPD amounted to $443,560 and $360,131 in 2018 and 2017, respectively.

## 9. RELATED PARTY TRANSACTIONS

PHDFC is a member of Acacia Network, Inc. (“Acacia Network”) and is related to Puerto Rican Organization to Motivate, Enlighten, and Serve Addicts, Inc. (“Promesa, Inc.”), Promesa Residential Health Care Facility, Inc. (“Casa Promesa”), Promesa Administrative Services Organization, Inc. ("PASO"), Promesa Foundation, Inc. (“Promesa Foundation”), Acacia Network Housing, Inc. (“Acacia Network Housing”), East Harlem Council for Community Improvement, Inc.(“EHCCI”), La Casa De Salud, Inc. (“La Casa De Salud”), Maria Isabel, L.P. (“Maria Isabel”), South Bronx Community Management Company, Inc. (“SBCMC”), Hellgate Management Corporation (“Hellgate”), Acacia Gardens Development, LLC (“Acacia Gardens”), Ilene R. Smith Limited Partnership (“Ilene R. Smith”), El Cemi Housing Development Fund Corporation, Inc. (“El Cemi”), Promesa Apartments, L.P. (“Promesa Apartments”), Urban Renaissance Collaboration, L.P. (“URC”), 245 East Mosholu Apartments, LLC (“245 East Mosholu”), Crotona Park Residences, LLC (“Crotona Park”), West Tremont Residences, LLC (“West Tremont”), Bella Vista L.P. (“Bella Vista”), Don Pancho Development Corporation (“Don Pancho”), Greenhope Services for Women, Inc. (“Greenhope”), Sera Security Services, LLC (“SERA Security”), 920 Prospect Gardens Housing Development Fund Corporation, Inc. (“920 Prospect”), General Development and Orientation Council (“GDOC”), Melrose Park HDFC (“Melrose Park”), Buffalo Hispanic Management Company, Promesa Court Residences L.P. (“Promesa Court”), 1068 Franklin Avenue HDFC (“1068 Franklin”), Melrose Estates Housing (“Melrose Estates”), 1794 Anthony Avenue HDFC (“1794 Anthony Avenue”), La Fortaleza HDFC (“La Fortaleza”), Park Plaza Apartments HDFC (“Park Plaza”), Virginia House HDFC (“Virginia House”), and Bronx Addiction Services Integrated Concepts System, Inc. (“BASICS”), through common management or board of director members. In addition, employees of the Organization participate in the pension plan of Promesa, Inc.

In addition to the organizations above, PHDFC has an ownership interest in the respective general partners of various limited partnerships and limited liability companies (“the partnerships”) in connection with Internal Revenue Service Code Section 42, which provides for low income housing tax credits. The Organization manages these buildings on behalf of the partnerships. The Organization is entitled to annual property management fees and partnership management fees from the partnerships based on a percentage of gross rents collected. In addition, the Organization earns developer fees for developing these projects.

Payroll and related benefits (including a proportionate share of employer pension contributions) are paid by Promesa, Inc. and PASO (which acts as a common paymaster) and are allocated to PHDFC. Included in contracted services expense are payroll and related benefits paid by Promesa, Inc. totaling $840,949 and $662,574 for the years ended December 31, 2018 and 2017, respectively. For the years ended December 31, 2018 and 2017, allocated costs paid by PASO and other related entities amounted to $1,196,152 and $723,511, respectively.

The Organization charged rent to Promesa, Inc. in the amount of $29,400 and $64,493 for 2018 and 2017, respectively.

PHDFC entered into a rental lease with Promesa Foundation, Inc., for space in one of the Promesa Foundation Inc.’s buildings. For the years ended December 31, 2018 and 2017, rental expense amounted to $38,960 and $38,010, respectively.

Included in tenant’s accounts receivable, net, as of the years ended December 31, 2018 and 2017 were amounts due from various related parties for management fees and reimbursement for allocated costs of $386,025 and $125,218, respectively.

During each of the years ended December 31, 2018 and 2017, the Organization charged Acacia Network Housing, Inc. $5,213,295 for transitional housing rent.

During the years ended December 31, 2018 and 2017, the Organization was charged $3,6840- and $31,458, respectively by Sera Security for the provision of security services.

The Organization earned management and development fees from related parties as follows for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| 1794 Anthony Avenue | $ 59,361 | $ - |
| Promesa Court | 29,980 | 27,324 |
| El Cemi | 41,990 | 35,286 |
| 245 East Mosholu | 57,768 | 61,589 |
| Hellgate | - | 1,268 |
| Crotona Park | 541,893 | 47,444 |
| URC | 112,234 | 108,610 |
| Promesa Apartments | 69,882 | 64,722 |
| Ilene R. Smith | 32,394 | 31,423 |
| West Tremont | 300,000 | 89,476 |
| Casa Promesa | - | 46,197 |
| EHCCI | - | 15,826 |
| Promesa, Inc. | - | 4,474 |
| La Fortaleza | 6,783 | - |
| Park Plaza | 11,602 | - |
| Maria Isabel | - | 1,195,527 |
| Virginia House | 171,252 | - |
| | $ 1,435,139 | $ 1,729,166 |

At December 31, due from affiliates consists of the following:

| Entity | Description | 2018 | 2017 |
|---|---|---|---|
| Hellgate | **A** | $ 87,599 | $ 53,128 |
| URC | **A** | 527,606 | 627,005 |
| 245 East Mosholu | **A** | 561,195 | 1,079,381 |
| Promesa Apartments | **A** | 315,096 | 375,847 |
| Promesa Court | **A** | 1,802,513 | 1,940,858 |
| Crotona Park | **A** | 648,124 | 548,608 |
| Promesa Foundation | **B** | 11,500 | 11,500 |
| SBCMC | **C** | 386,456 | 764,665 |
| West Tremont | **A** | 260,317 | 174,890 |
| Acacia Network Housing | **D** | 1,713,440 | 791,645 |
| Acacia Gardens | **E** | 804,674 | 463,492 |
| La Casa De Salud | **B** | 1,200 | 1,200 |
| Other | **B** | 95 | 95 |
| Melrose Park | **B** | 201,924 | 1,924 |
| Bella Vista | **B** | - | 67,325 |
| 920 Prospect | **B** | 223,207 | 161,546 |
| Greenhope | **B** | 423,948 | 284,700 |
| El Cemi | **B** | 4,200 | - |
| Ilene R. Smith | **B** | 11,468 | 7,399 |
| Buffalo Hispanic Management Company | **B** | 339,203 | 214,858 |
| | | $ 8,323,765 | $ 7,570,066 |

**A:** Allocated costs and management/developer fees
**B:** Advances
**C:** Allocated costs
**D:** Allocated costs and rent
**E:** Advances and management/developer fees
**F:** Note payable, note receivable, and advances

At December 31, due to affiliates consists of the following:

| Entity | Description | 2018 | 2017 |
|---|---|---|---|
| EHCCI | **B** | $ 3,345 | $ 3,345 |
| Casa Promesa | **F** | 3,215,076 | 3,159,147 |
| PASO | **C** | 3,629,083 | 2,421,620 |
| Promesa, Inc. | **C** | 8,067,455 | 7,035,739 |
| Acacia Network, Inc. | **B** | 40,744 | 40,744 |
| 1068 Franklin | **B** | 325,000 | 325,000 |
| Acacia Network Housing | **B** | 2,642,361 | 937,944 |
| SERA Security Services | **C** | 144,227 | - |
| Don Pancho | **B** | 149,996 | 60,737 |
| Melrose Estates | **B** | 1,925 | 1,925 |
| Total | | 18,219,212 | 13,986,201 |
| Less current portion | | 16,328,763 | 12,095,752 |
| Due to affiliates (net of current portion) | | $ 1,890,449 | $ 1,890,449 |

With the exception of the notes payable due to Casa Promesa, the outstanding balances above are non-interest bearing and are due on demand. Therefore, they have been reflected as current in the consolidated statements of financial position.

Included in due to affiliates is $3,215,076 and $3,159,147 due to Casa Promesa at December 31, 2018 and 2017, respectively. Of these totals, $1,890,449 represents an amount due under a note payable at December 31, 2018 and 2017. Under the terms of the note, interest is charged at a rate of 5.00 % per annum. Monthly payments of interest-only are due through September 2021 at which time the entire principal balance and any unpaid interest is due. For the years ended December 31, 2018 and 2017, interest expense of $92,949 and $58,704, respectively, was incurred. Also included in due to affiliates is $798,000 due from Casa Promesa at December 31, 2018 and 2017 under a note receivable with interest at 5.00 % per annum and monthly interest-only payments due through September 2021 at which time the entire principal balance and any unpaid interest is due.

Included in accounts payable at December 31, 2017 is $200,000 payable to GDOC for a non-interest bearing advance.

Included in accounts payable at December 31, 2018 and 2017 is $271 and $129,040, respectively, due to Sera Security for security services.

Included in accounts payable at December 31, 2018 is $16,220, due to Promesa Foundation for rent.

Included in accounts payable at December 31, 2018 is $53,367 due to BASICS for contracted services.

Included in interest expense for the year ended December 31, 2018 is $154,708 allocated from Acacia Network Housing.

PHDFC has entered into agreements to lease property to related entities. The aggregate minimum annual rent commitment under these agreements is as follows:

| Year | Amount |
|---|---|
| 2019 | $ 5,110,929 |
| 2020 | 2,989,596 |
| 2021 | 799,596 |
| 2022 | 433,114 |
| | $ 9,333,235 |

## 10. MINIMUM FUTURE RENTALS UNDER OPERATING LEASES

PHDFC rents residential apartments under yearly leases. The minimum annual future rentals to be received for existing non-cancelable operating leases as of December 31, 2018, assuming renewals of yearly leases, is approximately $1,777,000.

PHDFC leases certain commercial space under non-cancelable operating leases. Minimum future rentals to be received on non-cancelable leases are approximately as follows for the years ending December 31:

| Year | Amount |
|---|---|
| 2019 | $ 39,934 |
| 2020 | 6,683 |
| | $ 46,617 |

## 11. TERM LOANS

The Organization has a term loan with a financial institution with interest accruing at 5.57 %. The term loan will amortize in monthly payments of principal and interest of $4,496, based on a 10 year amortization schedule and matures on October 1, 2023. The term loan is guaranteed by Promesa, Inc. and secured by certain property of the related entity.

The outstanding amount at December 31, 2018 and 2017 was $637,453 and $656,676, respectively. In accordance with the accounting standard interest from debt incurred to purchase land that is currently being developed, is capitalized. Total interest capitalized as of the years ended December 31, 2018 and 2017 was $195,056 and $165,057, respectively.

On June 24, 2014, the Organization entered into a capital mortgage loan with the principal amount of $2,110,152. The loan accrued interest at 3.00 % and interest-only payments were required until July 2015, at which point monthly payments of $9,086 commenced until the principal sum, or so much thereof as may be advanced, is repaid. The loan matures on June 1, 2044, at which time the entire unpaid principal balance, together with all accrued interest shall be due. The outstanding amount at December 31, 2018 and 2017 is $1,282,322 and $1,350,628, respectively.

Minimum annual future principal payments on the loans are as follows:

| Year | Amount |
|---|---|
| 2019 | $ 82,151 |
| 2020 | 84,932 |
| 2021 | 112,536 |
| 2022 | 114,173 |
| 2023 | 624,031 |
| Thereafter | 901,952 |
| | $ 1,919,775 |

Unamortized deferred charges amounted to $51,645 and $53,710 as of December 31, 2018 and 2017, respectively.

## 12. CONSTRUCTION LOANS

Fox is the borrower of a package of construction loans (“Construction Loans”) totaling a maximum borrowing of $2,487,321, of which $1,203,551 is provided by HPD with interest at a fixed rate of 1.25 % per annum; $1,109,193 is provided by Community Preservation Corporation (“CPC”) with interest at a rate of LIBOR plus 4.80 % per annum, subject to a rate floor of 6.00 % per annum (7.29 % at December 31, 2018); and $174,577 is provided by Restored Homes HDFC, Inc. (“RHHDFC”) with no interest. Advances under the Construction Loans are made against approved draw requests based on construction progress and costs actually incurred, less a retainage.

The HPD and CPC construction loans require monthly payments of interest only through the extended maturity date of December 1, 2017, at which time they are expected to be repaid partly via closing of permanent loans provided by CPC and HPD and partly from the proceeds of the cooperative ownership conversion. To date, the conversions have not taken place and the monthly payments continue to be interest only. The RHHDFC construction loan is due and payable on July 30, 2055. As of December 31, 2018 and 2017, the outstanding balance of the Construction Loans amounted to $2,191,456 and $1,969,278, respectively.

Beck is the borrower of a package of construction loans (“Construction Loans”) totaling a maximum borrowing of $3,082,320, of which $1,356,473 is provided by HPD with interest at a fixed rate of 1.25 % per annum; $1,555,424 is provided by CPC with interest at a rate of LIBOR plus 4.80 % per annum, subject to a rate floor of 6.00 % per annum (7.29 % at December 31, 2018); and $170,423 is provided by RHHDFC with no interest. Advances under the Construction Loans are made against approved draw requests based on construction progress and costs actually incurred, less a retainage.

The HPD and CPC construction loans require monthly payments of interest only through the extended maturity date, at which time they are expected to be repaid partly via closing of permanent loans provided by CPC and HPD and partly from the proceeds of the cooperative ownership conversion. To date, the conversions have not taken place and the monthly payments continue to be interest only.

The RHHDFC construction loan is due and payable on July 30, 2055. As of December 31, 2018 and 2017, the outstanding balance of the Construction Loans amounted to $2,756,458 and $2,409,300, respectively.

## 13. COMMITMENTS

The aggregate minimum annual rental commitment, including those with related parties, under all non-cancelable leases with terms of one year or more for the periods set forth below are as follows:

| Year | Amount |
|---|---|
| 2019 | $ 4,546,742 |
| 2020 | 2,476,296 |
| 2021 | 594,614 |
| 2022 | 297,307 |
| | $ 7,914,959 |

Rent expense for the years ended December 31, 2018 and 2017 was $5,403,674 and $5,391,646, respectively.

## 14. INVESTMENT IN JOINT VENTURE

The Organization has a 50 % interest in 1675 JV Associates, LLC. In 2018 and 2017, 1675 JV Associates, LLC reported no profit or loss. Summary financial information of 1675 JV Associates, LLC as of December 31, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| Assets | $ 7,914,690 | $ 4,746,794 |
| Liabilities | $ 94,657 | $ 51,409 |
| Members' capital | $ 7,820,033 | $ 4,695,385 |

## 15. FUNDS IN ESCROW

Funds in escrow consist of amounts being held by a lender in conjunction with several construction projects.

## 16. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | 2018 | 2017 |
|---|---|---|
| Supplemental schedule of noncash investing and financing activities | | |
| Term loan repaid by affiliate | $ - | $ 543,944 |
| Cash paid for interest | $ 468,982 | $ 157,027 |
| Other assets transferred to fixed assets | $ - | $ 4,652,038 |
| Property and equipment funded by | | |
| Affiliates | $ 27,049 | $ 29,548 |
| Term loans | $ 465,801 | $ - |
| Construction loans | $ - | $ 125,838 |
| Funds in escow | $ - | $ 3,856 |

## 17. SUBSEQUENT EVENTS

PHDFC has evaluated subsequent events occurring after the consolidated statement of financial position date, through the date of November 21, 2019, the date the consolidated financial statements were available for release. Based upon this evaluation, PHDFC has determined that no subsequent events have occurred, which require adjustment to or disclosure in the consolidated financial statements.

## SUPPLEMENTARY INFORMATION

## The Promesa Housing Development Fund Corporation and Affiliates
## Combining Schedules of Program Activities
## Year Ended December 31, 2018

| | SIP | Management | Supportive Housing | Elimination | Total |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Residential rental income | | | | | |
| Tenant share | $ 1,184,616 | $ 84,110 | $ 65,241 | $ - | $ 1,333,967 |
| Tenant voucher assistance payments | 373,149 | 70,411 | - | - | 443,560 |
| Related party rent | - | 799,596 | - | - | 799,596 |
| Transitional housing, related party | - | 5,213,295 | - | - | 5,213,295 |
| | 1,557,765 | 6,167,412 | 65,241 | - | 7,790,418 |
| Commercial rent | - | 154,760 | - | - | 154,760 |
| Enforcement mortgage forgiveness | 280,845 | - | - | - | 280,845 |
| Interest income | - | 42,649 | - | - | 42,649 |
| Management and developer fees, related party | - | 1,567,207 | - | (132,068) | 1,435,139 |
| Other | 1,070 | 162,739 | - | - | 163,809 |
| | 1,839,680 | 8,094,767 | 65,241 | (132,068) | 9,867,620 |
| Expenses | | | | | |
| Contracted services | 327,378 | 1,709,723 | - | - | 2,037,101 |
| Bad debt expense | 101,207 | 56,086 | - | - | 157,293 |
| Depreciation and amortization | 411,256 | - | - | - | 411,256 |
| Insurance | 78,285 | 50,475 | - | - | 128,760 |
| Interest expense | 111,723 | 357,259 | - | - | 468,982 |
| Management fees | 132,068 | - | - | (132,068) | - |
| Miscellaneous expenses | 19,671 | 147,365 | - | - | 167,036 |
| Office expense | 9,757 | 44,909 | - | - | 54,666 |
| Professional fees | 39,913 | 302,813 | - | - | 342,726 |
| Repairs and maintenance | 364,772 | 10,469 | - | - | 375,241 |
| Rent | - | 5,405,095 | - | - | 5,405,095 |
| Telephone | - | 17,655 | - | - | 17,655 |
| Utilities | 395,837 | - | - | - | 395,837 |
| | 1,991,867 | 8,101,849 | - | (132,068) | 9,961,648 |
| Change in net assets | $ (152,187) | $ (7,082) | $ 65,241 | $ - | $ (94,028) |

See Independent Auditor’s Report.

# The Promesa Housing Development Fund Corporation and Affiliates
## Combining Schedules of Program Activities
## Year Ended December 31, 2017

| | SIP | Management | Supportive Housing | Elimination | Total |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Residential rental income | | | | | |
| Tenant share | $ 1,101,334 | $ 34,560 | $ 29,400 | $ - | $ 1,165,294 |
| Tenant voucher assistance payments | 354,143 | 5,988 | - | - | 360,131 |
| Related party rent | - | 799,596 | - | - | 799,596 |
| Transitional housing, related party | - | 5,213,295 | - | - | 5,213,295 |
| | 1,455,477 | 6,053,439 | 29,400 | - | 7,538,316 |
| Commercial rent | - | 136,209 | - | - | 136,209 |
| Enforcement mortgage forgiveness | 280,845 | - | - | - | 280,845 |
| Interest income | - | 42,361 | - | - | 42,361 |
| Management and developer fees, related party | - | 1,850,580 | - | (121,414) | 1,729,166 |
| Other | 3,570 | 40,910 | - | - | 44,480 |
| | 1,739,892 | 8,123,499 | 29,400 | (121,414) | 9,771,377 |
| Expenses | | | | | |
| Contracted services | 261,384 | 1,124,701 | - | - | 1,386,085 |
| Bad debt expense (recovery) | 56,931 | (96,624) | - | - | (39,693) |
| Depreciation and amortization | 265,541 | 26,974 | 2,587 | - | 295,102 |
| Insurance | 79,174 | 24,785 | 1,250 | - | 105,209 |
| Interest expense | 45,267 | 111,543 | 217 | - | 157,027 |
| Management fees | 121,414 | - | - | (121,414) | - |
| Miscellaneous expenses | 25,688 | 95,250 | - | - | 120,938 |
| Office expense | 7,546 | 40,171 | - | - | 47,717 |
| Professional fees | 54,396 | 326,686 | - | - | 381,082 |
| Repairs and maintenance | 395,306 | 5,810 | - | - | 401,116 |
| Rent | - | 5,391,646 | - | - | 5,391,646 |
| Telephone | - | 15,733 | - | - | 15,733 |
| Utilities | 333,261 | - | - | - | 333,261 |
| | 1,645,908 | 7,066,675 | 4,054 | (121,414) | 8,595,223 |
| Change in net assets | $ 93,984 | $ 1,056,824 | $ 25,346 | $ - | $ 1,176,154 |

See Independent Auditor's Report.